



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 26, 2007

H.R. 3020 **Microloan Amendments and Modernization Act**

As ordered reported by the House Committee on Small Business on July 19, 2007

SUMMARY

H.R. 3020 would reauthorize the Program for Investment in Microentrepreneurs (PRIME) under the Small Business Act and make several changes to the Small Business Administration's (SBA's) microloan program. CBO estimates that implementing H.R. 3020 would cost less than \$500,000 in 2008 and \$7 million over the 2008-2012 period, assuming appropriation of the necessary amounts. Enacting H.R. 3020 would not affect direct spending or revenues.

H.R. 3020 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would benefit tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3020 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars					
	2007	2008	2009	2010	2011	2012
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Budget Authority ^a	2	0	0	0	0	0
Estimated Outlays	1	2	1	0	0	0
Proposed Changes						
Estimated Authorization Level	0	2	2	2	2	2
Estimated Outlays	0	*	1	2	2	2
Spending Under H.R. 3020						
Estimated Authorization Level ^a	2	2	2	2	2	2
Estimated Outlays	1	2	2	2	2	2

Note: * = less than \$500,000.

a. The 2007 level is the amount appropriated for technical assistance grants under the PRIME program.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the start of fiscal year 2008, the necessary amounts will be appropriated for each year, and that spending will follow historical patterns.

The PRIME program provides grants to nonprofit organizations to provide technical assistance to low-income owners of very small businesses (five employees or less). Although no specific amounts are authorized in the bill, CBO expects that annual appropriations for the PRIME program would continue over the 2008-2012 period equal to the amount appropriated in 2007, adjusted for inflation. The Congress appropriated \$2 million for technical assistance grants under the PRIME program in 2007. Assuming appropriation of the necessary amounts, CBO estimates that this provision would cost less than \$500,000 in 2008 and \$7 million over the 2008-2012 period.

Under current law, nonprofit lending organizations that make loans that average \$7,500 or less under SBA's microloan program are eligible to receive an interest rate reduction of 75 basis points below the interest rate charged to intermediaries making higher value loans. H.R. 3020 would increase the maximum loan amount eligible for the interest rate reduction to \$10,000. Because more loans could receive a lower interest rate under the bill, CBO expects that this provision would lead to a minor increase in the subsidy rate for the

microloan program. Because of the small volume of such loans, however, we estimate that the increased cost of this provision would be less than \$500,000 a year.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3020 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would authorize grants to tribal governments for microenterprise development. Any costs that those entities would incur would result from complying with conditions of federal assistance.

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